WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1

D/B/A

RIVERSIDE MEDICAL CENTER

DECEMBER 31, 2012 AND 2011

FRANKLINTON, LOUISIANA

FINANCIAL STATEMENTS

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1

D/B/A

RIVERSIDE MEDICAL CENTER

DECEMBER 31, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Washington Parish Hospital Service District No.1
Franklinton, Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Washington Parish Hospital Service District No. 1, dba Riverside Medical Center (Hospital), Franklinton, Louisiana, a component unit of the Washington Parish Police Jury, State of Louisiana, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the activities of Washington Parish Hospital Service District No. 1, as of December 31, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

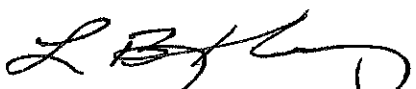
Washington Parish Hospital Service District No. 1 has not presented Management's Discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2013 *on our consideration of the Hospital's internal control over financial reporting* and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)

May 30, 2013

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

STATEMENTS OF NET POSITION **DECEMBER 31,**

ASSETS

	2012	2011
Current Assets		
Cash and Cash Equivalents	$ 429,768	$ 552,437
Assets whose use is limited and required for Current Liabilities	366,000	353,000
Patient Accounts Receivable, less Allowance for Doubtful Accounts of $1,152,719 and $1,166,626, respectively	2,354,303	2,912,228
Estimated Third-Party Payor Settlements	1,035,493	259,413
Inventory	269,072	300,947
Prepaid Expenses	83,849	83,375
Other Receivables	1,209,818	259,003
Total Current Assets	5,748,303	4,720,403
Assets Limited to Use		
For Debt Retirement:		
Cash and Cash Equivalents:		
General Obligation Bonds, Series 2009	308,912	221,541
Ad Valorem Tax Receivable	216,549	477,421
Total Assets Limited to Use	525,461	698,962
Less: Assets whose use is limited and are required for Current Liabilities	366,000	353,000
Total Non-Current Assets Limited to Use	159,461	345,962
Capital Assets		
Land	42,921	42,921
Construction in Progress	2,040	122,137
Depreciable Capital Assets, Net of Accumulated Depreciation	5,275,870	5,773,524
Total Capital Assets, Net of Accumulated Depreciation	5,320,831	5,938,582
Other Assets		
Deferred Financing Costs, net	2,312	11,561
Total Other Assets	2,312	11,561
Total Assets	$ 11,230,907	$ 11,016,508

The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

STATEMENTS OF NET POSITION **DECEMBER 31,**

LIABILITIES AND NET POSITION

	2012	2011
Current Liabilities		
Accounts Payable	$ 639,439	$ 1,039,099
Current Maturities of Long-Term Debt	366,000	353,000
Current Maturities of Capital Lease	16,047	450
Current Maturities of Notes Payable	36,394	-
Estimated Third-Party Payor Settlements	513,286	671,300
Patient Accounts - Credit Balances	106,318	95,491
Accrued Salaries	405,112	378,376
Accrued Compensated Absences	782,236	795,534
Accrued Interest Payable	2,745	5,393
Accrued Payroll Liabilities	236,933	218,225
Total Current Liabilities	3,104,510	3,556,868
Long-Term Debt		
General Obligation Bond, Series 2009	-	366,000
Note Payable - GE PACS upgrade	48,806	-
Lease Payable - General Electric	60,350	-
Total Long-Term Debt	109,156	366,000
Total Liabilities	3,213,666	3,922,868
Net Position		
Invested in Capital Assets, Net of Related Debt	4,793,234	5,219,132
Restricted for Debt Service (Expendable)	525,461	698,962
Unrestricted	2,698,546	1,175,546
Total Net Position	8,017,241	7,093,640
Total Liabilities and Net Position	$ 11,230,907	$ 11,016,508

The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION **DECEMBER 31,**

	2012	2011
Operating Revenues		
Net Patient Service Revenue before Provision for Doubtful Accounts	$ 20,797,085	$ 24,803,714
Provisions for Doubtful Accounts	3,145,831	3,853,641
Net Patient Service Revenue less Provision for Doubtful Accounts	17,651,254	20,950,073
Advalorem Taxes	1,188,513	-
Other Operating Revenue	3,041,698	815,401
Total Operating Revenues	21,881,465	21,765,474
Operating Expenses		
Salaries	9,433,504	9,818,784
Employee Benefits	3,152,649	3,095,742
Outside Services and Professional Fees	2,559,638	3,186,433
Depreciation and Amortization	756,822	855,220
Supplies and Other Expenses	5,569,119	6,071,277
Total Operating Expenses	21,471,732	23,027,456
Income (Loss) from Operations	409,733	(1,261,982)
Non-Operating Revenues (Expenses)		
Ad Valorem Taxes	196,025	373,220
EMR Grant	257,670	208,267
Rental Income	151,524	142,499
Interest Income	5,180	5,743
Interest Expense	(96,547)	(87,403)
Gain (Loss) on the Sale of Assets	16	2,868
Total Non-Operating Revenues (Expenses)	513,868	645,194
Change in Net Position	923,601	(616,788)
Beginning Net Position	7,093,640	7,710,428
Ending Net Position	$ 8,017,241	$ 7,093,640

The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

STATEMENT OF CASH FLOWS	DECEMBER 31,	
	2012	**2011**
Cash Flows from Operating Activities		
Receipts from Patients and Third-Party Payors	$ 21,516,123	$ 22,280,343
Receipts from Grants and Donations	2,925,921	711,176
Payments to Suppliers	(12,328,184)	(9,850,869)
Payments to Employees	(12,599,591)	(12,974,179)
Net Cash Flows Provided By (Used In) Operating Activities	(485,731)	166,471
Cash Flows from Non-Capital Financing Activities		
Ad Valorem Taxes	456,897	369,496
EMR Grant	257,670	208,267
Net Cash Flows Provided By Non-Capital Financing Activities	714,567	577,763
Cash Flows from Investing Activities		
Interest and Rental Income	156,704	148,242
Net Cash Flows Provided By Investing Activities	156,704	148,242
Cash Flows from Capital and Related Financing Activities		
Purchases of Capital Assets	(130,910)	(1,060,024)
Interest Paid on Debt Obligations	(99,195)	(92,968)
Principal Payments on Bonds	(353,000)	(586,000)
Proceeds from Borrowings	191,177	-
Payment of Capital Lease Obligations and Notes Payable	(28,926)	(603)
Proceeds from the Sale of Assets	16	3,112
Net Cash Flows Used in Capital and Related Financing Activities	(420,838)	(1,736,483)
Net Increase (Decrease) in Cash and Cash Equivalents	(35,298)	(844,007)
Cash and Cash Equivalents at Beginning of Year, including $221,541 and $ 396,080 Limited as to Use for 2012 and 2011, respectively	773,978	1,617,985
Cash and Cash Equivalents at Ending of Year, including $308,912 and $ 221,541 Limited as to Use for 2012 and 2011, respectively	$ 738,680	$ 773,978

The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

STATEMENT OF CASH FLOWS (continued) **DECEMBER 31,**

	2012	2011
Reconciliation of Income (Loss) from Operations to Net Cash Flows Provided by Operating Activities		
Net Income (Loss) from Operations	$ 409,733	$ (1,261,982)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	756,822	855,220
Provision for Doubtful Accounts	3,145,831	3,853,641
Loss (Gain) on the Sale of Assets	(16)	(2,868)
Decrease (Increase) in Patient Accounts Receivable	(2,577,079)	(3,165,094)
Decrease (Increase) in Advalorem Taxes Receivable	(1,136,885)	-
Decrease (Increase) in Inventory	31,875	21,919
Decrease (Increase) in Prepaid Expenses	(474)	(3,911)
Decrease (Increase) in Other Receivables	186,070	(61,279)
Decrease (Increase) in Estimated Third-Party Payor Settlements Receivable	(776,080)	50,121
Decrease in Estimated Third-Party Payor Settlements Payable	(158,014)	(223,800)
(Decrease) Increase in Accounts Payable	(399,661)	70,761
Increase in Accrued Salaries	26,736	34,631
Increase (Decrease) in Accrued Compensated Absences	(13,298)	25,022
Increase (Decrease) in Accrued Payroll Liabilities	18,709	(25,910)
Net Cash Flows Provided By (Used In) Operating Activities	$ (485,731)	$ 166,471

The accompanying notes are an integral part of these financial statements.

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (the Hospital) is an acute care facility created pursuant to Louisiana Revised Statutes of 1950, Title 46, Chapter 10. It is the Hospital's mission to provide it's community with high quality care and education in a friendly, caring and professional manner. The administration of the Hospital is governed by a Board of Commissioners consisting of members appointed by the Washington Parish Council.

The financial reporting entity consists of (a) the primary government (councilman), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointing a voting majority of an organization's governing body, and

    a. The ability of the council to impose its will on that organization and/or

    b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the council.

2. Organizations for which the council does not appoint a voting majority but are fiscally dependent on the council.

3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Council appoints all of the members of the Hospital's governing board and has the ability to impose its will on the Hospital, the Hospital is a component unit of Washington Parish. The basic financial statements present information only on the funds maintained by the Hospital and do not present information on the Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, money market accounts and certificates of deposit with an original maturity of three months of less, excluding amounts restricted as to use by Board designation, other arrangements under trust agreements, or with third-party payors.

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Restricted Assets

Assets whose use is limited include funds set aside by the Board of Commissioners to satisfy deposit requirements of the Hospital's debt agreements.

Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of contribution, which is then treated at cost. Equipment under capital lease is stated at the lower of the present value of minimum lease payments at the beginning of the lease term or fair value at the inception of the lease. Maintenance, repairs and minor replacements, and improvements are expensed as incurred. Major replacements and improvements are capitalized at cost.

Description of property, plant and equipment is calculated on the straight-line method using the following estimated asset lives:

Land Improvements	15-20 years
Buildings and Building Improvements	20-40 years
Computers and Furniture	3- 7 years

Equipment held under capital lease is amortized on the straight-line method over the shorter of the lease term or estimated useful lives of the assets.

Inventory

Inventory is valued at the lower of cost or market, using the first-in, first-out method.

Cost of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these same borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

Restricted Resources

The Hospital first applies restricted resources when expenditures are incurred for purposes for which both restricted and unrestricted net assets are available.

Net Position

Net position represent the difference between assets and liabilities. Net positiion classifications are defined as follows:

Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, is reduced by unspent debt proceeds.

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Restricted Expendable Net Position consist of non-capital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures.

Unrestricted Net Position consist of remaining net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt", as described above.

Operating Revenue and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services-the Hospital's principal activity and from advalorem taxes. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Non-Direct Response Advertising

The Hospital expenses advertising costs as incurred. Advertising expenses incurred during the years ended December 31, 2012 and 2011, totaled $12,122 and $20,934, respectively.

Compensated Absences

Full-time employees are granted vacation in varying amounts as established by Hospital policy. Unused vacation days earned, up to a maximum of 224 hours per year (28 days per year), may be carried forward and accumulated with a maximum of 448 hours. In the event of termination, an employee is reimbursed for accumulated vacation days.

In addition, full and part-time employees are also granted sick pay at a rate of 0.02313 hours per paid hour as established by Hospital policy. Unused sick pay, up to a maximum of 480 hours, may be accumulated. Unused sick pay is not payable upon termination, unless the employee has 20 years of service or more to the Hospital. These employees are paid at the rate of one-half their current hourly rate, for each accrued hour of sick time, not to exceed 480 hours.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Investment in Debt and Equity Securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized costs. Interest, dividends, gains, and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating revenue when earned.

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Accounts Receivable - Patients

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with Medicaid, Commercial and Self-pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivable balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and the self-pay patients are unable or unlikely to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patients Accounts Receivable consists of the following:

	2012	2011
Total Patient Accounts Receivable	$ 3,507,022	$ 4,078,854
Less: Allowances for Doubtful Accounts and Contractual Allowances	1,152,719	1,166,626
Net Patient Accounts Receivable	$ 2,354,303	$ 2,912,228

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - Effective July 1, 2004, the Hospital was approved for "critical access" status under the Medicare Rural Hospital Flexibility Program. The program allows States to designate rural facilities as "critical access hospitals" if they are located a sufficient distance from other hospitals, make available 24-hour emergency care, maintain no more than 25 inpatient beds, and keep inpatients no longer than 96 hours (except where weather or emergency conditions dictate, or a Peer Review Organization waives the limit). Payments for inpatient/outpatient services under critical access are on the basis of reasonable costs.

Prior to July 1, 2004, the Hospital was paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The prospectively determined classification of patients and the appropriateness of the patients' admissions are subject to a validation review by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews.

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Net Patient Service Revenue (cont)

Cost reimbursed services are paid at tentative rates, with final settlement determined after submission of annual cost reports and the completion of audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare fiscal intermediary through December 31, 2010.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to an outpatient adjustment determined by the Department of Health and Hospitals.

The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and the completion of audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited or reviewed by the Medicaid fiscal intermediary through December 31, 2007.

The Louisiana Legislature, through the Healthcare Reform Act of 2007 and Act 1 of 2010, tasked the Department of Health and Hospitals (DHH) to create a new system of care. In response, DHH reformed its reimbursement methodology for Medicaid patients from a fee-for-service system to the use of a Coordinated Care Network (CCN). During 2011, DHH enabled certain third-party payor companies to contract with providers under the CCN methodology. The Hospital is currently contracted and enrolled with payors participating in the Coordinated Care Network.

Revenue from the Medicare and Medicaid programs accounted for approximately 57% and 62% of the Hospital's net patient revenue for the years ended December 31, 2012 and 2011, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized.

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related service are rendered and adjusted in future periods as final settlements are determined.

Rural hospitals can be reimbursed up to 100% for uncompensated cost rendered to Medicaid and uninsured patients, commonly referred to as Uncompensated Care (UCC) payments. The hospital received $1,004,143 in Uncompensated Care payments for the year ended December 31, 2011. These payments are based upon estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized. Management has not established an estimated liability for such retroactive adjustments as of December 31, 2012. Coverage for uncompensated care is based on the State's fiscal year.

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Net Patient Service Revenue (cont)

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major payor sources, is as follows.

Net Patient Service Revenue by Payor before Provision for Doubtful Accounts:

	2012	2011
Medicare	$ 6,815,494	$ 6,798,173
Medicaid	2,169,444	2,741,593
All other payors	8,666,316	11,410,307
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	$ 17,651,254	$ 20,950,073

The following schedule represents total Net Patient Service Revenue:

	2012	2011
Gross Patient Service Revenue	$ 45,510,389	$ 51,406,532
Less: Contractual Adjustments	(24,713,304)	(27,606,961)
Net Patient Service Revenue Before Uncompensated Care and Provision for Doubtful Accounts	20,797,085	23,799,571
Uncompensated Care	-	1,004,143
Provision for Doubtful Accounts	(3,145,831)	(3,853,641)
Net Patient Service Revenue	$ 17,651,254	$ 20,950,073

Advalorem Taxes

Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at January 1, the lien date. The hospital's ad valorem tax for debt service is 3.5 mills.

A special election was held on Saturday, April 21, 2012 where the taxpayers approved a 10 year, 18 mills tax for "acquiring, constructing, improving, maintaining and operating the hospital and medical buildings and facilities, including equipment and fixtures, of the District".

Ad valorem taxes make up approximately 6.2% and 1.7% of the hospital's financial support for the years ended December 31, 2012 and 2011, respectively. These funds are used for debt service and operations.

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Income Taxes

The Hospital is a political subdivision and exempt from taxes.

Environmental Matters

Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at the time, management is not aware of any environmental matters which need to be considered.

Reclassifications

To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net position.

NOTE 2 - CASH AND CASH EQUIVALENTS

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital's bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Hospital.

The carrying amounts of deposits are included in the Hospital's Statement of Net Assets as follows:

	2012	2011
Insured by the FDIC	$ 250,000	$ 250,000
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	2,046,715	2,879,337
Total collateral held for bank balances	$ 2,296,715	$ 3,129,337
Total carrying value per bank	$ 908,829	$ 1,107,684

For the purposes of cash flows, cash and cash equivalents for the years ended December 31, are as follows:

	2012	2011
Cash and Cash Equivalents	$ 429,768	$ 552,437
Assets Limited To Use:		
Cash and Cash Equivalents		
General Obligation Bonds, Series 2009	308,912	221,541
Total Cash and Cash Equivalents	$ 738,680	$ 773,978

NOTE 3 - ASSETS LIMITED AS TO USE

Pursuant to a resolution by the Board of Commissioners of the hospital made in February of 2009, in relation to the Series 2009 Revenue Bonds, the hospital entered an agreement to reserve cash as follows:

The hospital is "bound under the terms and provisions of law and this resolution to impose and collect annually, in excess of all other taxes, a tax on all the property subject to taxation within the territorial limits of the issuer, sufficient to pay the principal of and interest on the bonds falling due each year."

NOTE 3 - ASSETS LIMITED AS TO USE (cont)

The Hospital is to "maintain a special fund...the "Sinking Fund" into which the issuer will deposit the proceeds of the aforesaid tax."

The composition of assets limited to use at December 31, are set forth in the following table:

	2012	2011
Cash and Cash Equivalents		
General Obligation Bonds, Series 2009	$ 308,912	$ 221,541
Ad Valorem Tax Receivable	216,549	477,421
Total Cash and Cash Equivalents	$ 525,461	$ 698,962

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices for similar securities.

Assets limited as to use: These assets consist primarily of cash, short-term investments, and interest receivable. The carrying amount reported in the balance sheet is fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

Long-term debt: Fair values of the Hospital's revenue notes are based on current traded value. The fair value of the Hospital's remaining long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Hospital's financial instruments for the year ended December 31, 2012 and 2011, are as follows:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 429,768	$ 429,768	$ 552,437	$ 552,437
Assets limited as to use	$ 525,461	$ 525,461	$ 698,962	$ 698,962
Estimated receivable third party payors	$1,035,493	$1,035,493	$ 259,413	$ 259,413
Estimated payable third party payors	$ 513,286	$ 513,286	$ 671,299	$ 671,299
Accounts payable and accrued expenses	$2,066,462	$2,066,462	$2,436,627	$2,436,627
Long-term debt	$ 109,156	$ 109,156	$ 366,000	$ 366,000

NOTE 5 - CHARITY CARE

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify and monitor the level of charity care it provides. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone and supplies furnished, based on established rates, were $34,497 and $23,963 as of December 31, 2012 and 2011, respectively.

NOTE 6 - CAPITAL ASSETS

Capital assets by major category are as follows:

	12/31/2011	ADDITIONS	DEDUCTIONS	12/31/2012
Land Improvements	$ 889,758	$ -	$ -	$ 889,758
Buildings	12,523,908	5,018	-	12,528,926
Equipment	5,777,671	245,045	(46,850)	5,975,866
Gross Capital Assets	19,191,337	250,063	(46,850)	19,394,550
Accumulated Depreciation	(13,417,813)	(747,481)	(46,614)	(14,118,680)
Depreciable Capital Assets, Net	5,773,524	(497,418)	(236)	5,275,870
Land	42,921	-	-	42,921
Construction in Progress	122,137	-	120,097	2,040
Less: Transfers from Construction In Progress	-	(120,097)	(120,097)	-
Total Capital Assets	$ 5,938,582	$(617,515)	$(236)	$ 5,320,831

Depreciation expense for the years ended December 31, 2012 and 2011, amounted to $747,481 and $855,220, respectively.

NOTE 7 - LONG-TERM DEBT AND OTHER NON-CURRENT LIABILITIES

Long-term debt at December 31, consisted of the following:

	2012	2011
General Obligation Bond, Series 2009, floating interest rate, annual principal installments due April 1 of each year, semi-annual installments of interest due April 1 and October 1 of each year through 2013	$ 366,000	$ 719,000
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling $81, including interest at 0%, maturing in 2011	246	450
Note payable GE Healthcare, 6.25% interest rate, payable in 36 monthly installments	85,200	-
Lease payable, GE Ultrasound, .77% interest rate, payable in 60 monthly installments	76,151	-
Gross Long-Term Debt	527,597	719,450
Less: Current Portion	418,441	353,450
Long-Term Portion	$ 109,156	$ 366,000

NOTE 7 - LONG-TERM DEBT AND OTHER NON-CURRENT LIABILITIES (cont)

A summary of long-term debt activity for the year ended is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Lease Obligations	$ 450	$ 80,134	$ 4,187	$ 76,397
Note payable	-	111,043	25,843	85,200
General Obligation Bond Series 2009	719,000	-	353,000	366,000
Total Long-Term Debt	$ 719,450	$ 191,177	$ 383,030	$ 527,597

Balance due within one year:

	2012	2011
Capital Lease Obligations	$ 16,047	$ 450
Note Payable - GE	36,394	-
General Obligation Bond, Series 2009	366,000	353,000
Total Current Portion of Long-Term Debt	$ 418,441	$ 353,450

Scheduled repayments on long-term debt are as follows:

	Principal	Interest	Total
2013	$ 418,443	$ 10,319	$ 428,762
2014	54,660	2,364	57,024
2015	26,114	391	26,505
2016	16,170	162	16,332
2017	12,210	39	12,249
Total	$ 527,597	$ 13,275	$ 540,872

Interest expense incurred on long-term debt was $96,447 and $87,403 for the years ended December 31, 2012 and 2011, respectively.

During the year ended December 31, 2009, The Hospital refinanced the remaining portion of the 1999 Series Bonds, resulting in the issuance of the 2009 Series General Obligation Refunding Bonds. These Bonds are secured by Ad Valorem tax revenue. The proceeds from the 2009 Bond issuance are restricted to the payment of costs associated with the Hospital's capital projects. The Bond proceeds that remain are restricted, in that the earnings on the remaining proceeds cannot generate a yield in excess of that yield on the Bonds.

NOTE 8 - LEASES

The Hospital is obligated under certain operating leases for various equipment. Amounts paid under these leases totaled $591,336 and $693,316 for the years ended December 31, 2012 and 2011, respectively.

The Hospital leases office space to certain doctors. Rental income received under these arrangements totaled $151,523 and $142,499 for the years ended December 31, 2012 and 2011, respectively.

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit to patients, substantially all of whom are local residents. The Hospital generally does not require collateral or other security extending credit to patients; however, it routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under health insurance programs, plans or policies (e.g., Medicare, Medicaid, Blue Cross and commercial insurance policies).

NOTE 9 - CONCENTRATIONS OF CREDIT RISK (cont)

The mix of gross receivables from patients and third-party payors at December 31, are as follows:

	2012	2011
Medicare	38.3%	36.3%
Medicaid	2.8%	5.4%
Commercial and other third-party payors	58.9%	58.3%
Total	100.0%	100.0%

NOTE 10 - DEFINED CONTRIBUTION PLAN

The Hospital offers to its employees a single employer defined contribution plan in accordance with Internal Revenue Code Section 457. Substantially all employees who have completed one year of service are eligible to participate. Under the plan, the maximum deferral offered to the employees is $15,500, as defined in the plan agreement. The Hospital is required to match 100% of the employees' deferral, not to exceed 3% of the employees' salary of $15,500. Participants become fully vested after five years, with no graduated vesting occurring between years one through four. Employer contributions were $123,107 and $156,603 for the years ended December 31, 2012 and 2011, respectively.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, and the benefits may not be diverted to any other use.

The Hospital has no liability for losses under the plan. An independent administrator serves as trustee of the employees' deferrals and the Hospital's matching contributions. Each employee chooses form an array of investment options offered by the administrator.

NOTE 11 - CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts, which vary, from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below.

Third Party Cost-Based Charges

The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as a result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Service (CMS) to implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's

NOTE 11 - CONTINGENCIES (cont)

Medicare reimbursement in an amount estimated to equal the overpayment.

The Hospital will deduct from revenue, amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amount due can be reasonably estimated. RAC assessments are anticipated; however, the outcome of such assessments are unknown and cannot be reasonably estimated.

Professional Liability Risk

The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund of the Louisiana Hospital Association Trust Fund.

Workman's Compensation Risk

The Hospital participated in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund in 2012 and 2011. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the Hospital is contingently liable for assessments for the Louisiana Hospital Association Trust Fund. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations of equity in the trust fund in its financial statements.

Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in exclusion from government healthcare program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 30, 2013, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 13 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2011, the FASB issued ASU 2011-07, Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. The amendments to the codification will require certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally those health care entities will be required to provide enhanced disclosure about their policies for recognizing service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The Hospital has implemented these amendments for fiscal years ending December 31, 2012 and 2011.

NOTE 14: NET POSITION

Net position for the years ended December 31, are as follows:

	2012	2011
Invested in Capital Assets, net of related debt	$ 4,793,234	$ 5,219,132
Restricted for:		
Capital Projects (Expendable)	525,461	698,962
Unrestricted	2,698,546	1,175,546
Total Net Position	$ 8,017,241	$ 7,093,640

NOTE 15: CASH FLOW SUPPLEMENTAL

Interest paid was $ 99,195 and $ 92,968 for the years ended December 31, 2012 and 2011, respectively.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

SCHEDULE OF REVENUES **DECEMBER 31,**

	2012			2011
	INPATIENT	OUTPATIENT	TOTAL	TOTAL
Daily Patient Services				
Medical and Surgical	$ 1,465,486	$ 228,460	$ 1,693,946	$ 1,742,020
Intensive Care	81,640	-	81,640	68,206
Total Daily Patient Services	1,547,126	228,460	1,775,586	1,810,226
Other Nursing Services				
Emergency Services	77,478	5,235,183	5,312,661	6,749,799
Operating and Recovery Rooms	48,567	1,958,626	2,007,193	2,550,480
Central Services and Supply	417,847	1,342,326	1,760,173	2,250,597
Total Other Nursing Services	543,892	8,536,135	9,080,027	11,550,876
Other Professional Services				
Laboratory	1,488,325	8,431,955	9,920,280	10,443,967
Pharmacy	1,966,461	1,842,269	3,808,730	4,575,311
Cat Scan	215,393	3,350,838	3,566,231	4,103,183
Cardiopulmonary	2,480,602	462,763	2,943,365	2,860,110
Radiology	217,494	1,834,301	2,051,795	2,264,079
Speech/Occupational/Physical Therapy	82,816	1,210,592	1,293,408	1,487,647
MRI	61,340	1,204,966	1,266,306	1,395,021
Ultrasound	129,365	845,435	974,800	1,025,115
Nuclear Medicine	33,607	236,247	269,854	283,913
Woundcare	-	1,279,022	1,279,022	1,828,901
Echo and Doppler	227,481	447,701	675,182	817,824
Pediatric Internal Medicine Clinic	-	865,369	865,369	851,443
340B Pharmacy Revenue	675	1,740,572	1,741,247	1,966,310
Chemotherapy	54,496	766,047	820,543	923,046
Electrocardiology	140,462	365,660	506,122	561,556
Anesthesiology	20,545	767,510	788,055	886,844
Franklinton Clinic	-	344,643	344,643	407,369
Electroencephalography	5,391	524,660	530,051	529,090
Mammography	484	572,942	573,426	469,306
Hospitalist	76,289	13,237	89,526	103,690
Swing Bed	286,540	-	286,540	223,215
Dietary	27,897	1,584	29,481	30,753
Dialysis	30,800	-	30,800	7,737
Total Other Professional Services	7,546,463	27,108,313	34,654,776	38,045,430
Gross Patient Service Revenue	$ 9,637,481	$ 35,872,908	45,510,389	51,406,532
Less: Contractual Adjustments			24,713,304	27,606,961
Less: Provision for Doubtful Accounts			3,145,831	3,853,641
Net Patient Service Revenue Before Uncompensated Care Income			17,651,254	19,945,930
Uncompensated Care Income			-	1,004,143
Net Patient Service Revenue			$ 17,651,254	$ 20,950,073

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

SCHEDULE OF OTHER REVENUE **DECEMBER 31,**

	2012	2011
Other Operating Revenue		
UPL Grant	$ 2,866,490	$ -
Donations and Grants	59,431	711,176
Cafeteria	47,953	56,493
Vending	10,395	8,443
Other	57,429	39,289
	$ 3,041,698	$ 815,401

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

SCHEDULE OF EXPENSES **DECEMBER 31,**

	2012	2011
Salaries		
Administrative	$ 1,616,329	$ 1,647,247
Nursing Administration	583,110	573,768
Medical and Surgical	971,348	1,033,704
Intensive Care	72,762	99,726
Emergency Services	1,461,222	1,435,045
Operating and Recovery Rooms	264,336	269,774
Central Services and Supply	68,897	75,859
Laboratory	752,869	782,851
Cat Scan	54,679	56,894
Cardiopulmonary	516,426	529,494
Radiology	481,731	508,917
Speech/Occupational/Physical Therapy	360,562	362,602
Ultrasound	139,448	141,340
Nuclear Medicine	84,854	81,415
Echo and Doppler	69,576	79,875
Pediatric Internal Medicine Clinic	490,610	491,019
Chemotherapy	134,704	144,759
Electrocardiology	25,691	27,080
Anesthesiology	330,859	332,945
Franklinton Clinic	365,309	443,028
Mammography	43,876	43,255
Swing Bed	479	477
Dietary	125,221	137,372
Housekeeping	157,504	187,178
Plant Operations	170,547	210,421
Social Services	87,279	116,493
Physician Office	3,276	6,246
Total Salaries	$ 9,433,504	$ 9,818,784

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

SCHEDULE OF EXPENSES **DECEMBER 31,**

	2012	2011
Outside Services and Professional Fees		
Administrative	$ 257,863	$ 237,635
Nursing Administration	7,437	39,287
Intensive Care	-	683
Emergency Services	569,673	980,404
Operating and Recovery Rooms	-	118,750
Laboratory	324,535	281,739
Pharmacy	334,060	372,119
Cat Scan	4,190	400
Cardiopulmonary	1,020	1,710
Radiology	37,152	12,551
Speech/Occupational/Physical Therapy	20,723	20,817
MRI	289,760	339,230
Nuclear Medicine	3,645	3,476
Woundcare	298,075	370,375
Echo and Doppler	151	192
Pediatric Internal Medicine Clinic	9,482	7,128
Chemotherapy	3,537	3,246
Electrocardiology	3,400	4,806
Franklinton Clinic	6,093	6,121
Electroencephalography	98,540	97,014
Mammography	1,581	5,254
Hospitalist	150,000	150,000
Dietary	38,610	38,610
Dialysis	11,550	3,025
Housekeeping	62,328	65,691
Plant Operations	19,384	20,867
Social Services	4,158	4,158
Swingbed	1,540	-
Physician Office	1,151	1,145
Total Outside Services and Professional Fees	$ 2,559,638	$ 3,186,433

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

SCHEDULE OF EXPENSES **DECEMBER 31,**

	2012	2011
Supplies and Other Expenses		
Administrative	$ 1,007,408	$ 1,140,217
Nursing Administration	4,958	9,351
Medical and Surgical	83,202	81,146
Intensive Care	4,433	9,536
Emergency Services	102,748	116,009
Operating and Recovery Rooms	283,014	227,675
Central Services and Supply	203,735	235,342
Laboratory	748,855	794,241
Pharmacy	1,195,718	1,473,603
Cat Scan	237,355	250,384
Cardiopulmonary	100,070	89,048
Radiology	246,702	285,850
Speech/Occupational/Physical Therapy	8,432	14,001
MRI	30,459	5,373
Ultrasound	28,581	37,470
Nuclear Medicine	67,000	63,398
Woundcare	844	892
Echo and Doppler	45,932	43,118
Pediatric Internal Medicine Clinic	68,108	68,847
Chemotherapy	1,970	2,946
Electrocardiology	6,545	7,092
Anesthesiology	6,578	8,643
Franklinton Clinic	18,170	19,977
Mammography	170,457	157,215
Dietary	87,791	105,164
Dialysis	25,350	-
Housekeeping	67,310	68,447
Plant Operations	715,233	753,073
Social Services	114	275
Physician Office	2,047	2,944
Total Supplies and Other Expenses	$ 5,569,119	$ 6,071,277

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

SCHEDULE OF GOVERNING BOARD EXPENSES **DECEMBER 31,**

	2012	2011
Wayne Knight	750	900
Lionel K. Jones	300	825
Violet D. Tate	75	600
Rachel Gill	750	825
Joseph Cobb	675	825
Total Governing Board Expenses	$ 2,550	$ 3,975

LANGLINAIS
BROUSSARD &
KOHLENBERG
A Corporation of Certified Public Accountants

Glen P. Langlinais, C.P.A.
Michael P. Broussard, C.P.A.
Chris A. Kohlenberg, C.P.A., M.B.A., M.H.A.
Gayla L. Falcon, C.P.A.
Patrick M. Guidry, C.P.A.
Ashley V. Breaux, C.P.A.
Kathryn S. Hoag, C.P.A.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Washington Parish Hospital Service District No. 1
Franklinton, Louisiana

We have audited the financial statements of Washington Parish Hospital Service District No. 1 (The Hospital), a component unit of the Washington Parish Government, State of Louisiana, as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated May 30, 2013.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the Hospital as of and for the years ended December 31, 2012 and 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be significant deficiencies.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not identify instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Hospital's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". We did not audit the Hospital's responses and, accordingly, we express no opinion on it.

This report is intended for the information of Washington Parish Hospital Service District No. 1, a component unit of the Washington Parish Government, State of Louisiana, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)

May 30, 2013

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2012

We have audited the financial statements of Washington Parish Hospital Service District No. 1 d/b/a Riverside Medical Center (the Hospital), a component unit of the Washington Parish Government, State of Louisiana, as of and for the years ended December 31, 2012 and 2011 and have issued our report thereon dated May 30, 2013.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audit of the financial statements as of December 31, 2012 and 2011, resulted in an unqualified opinion.

Section I: Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements:

Internal Control:

Material Weaknesses:	Yes
Significant Deficiencies:	Yes

Compliance:

Compliance Material to Financial Statements	No

Section II: Financial Statement Findings

A - Issues of Noncompliance

None Identified.

B- Significant Deficiencies and Material Weaknesses

Finding 2012-1 Financial Statement Preparation

Condition and Criteria: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Effect: This represents a material weakness in the Hospital's internal control system.

Recommendation: The Hospital should continue outsourcing the preparation of its financials to its independent auditors and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 2012-1 Financial Statement Preparation, Cont'd

Management Response: Riverside Medical Center is a rural critical access hospital and has a limited qualified accounting staff that can prepare the financial statements and related disclosures. Therefore we will have to continue outsourcing the preparation of our financials to our independent auditors and carefully review the draft financial statements and notes prior to accepting responsibility for their contents and presentation.

Finding 2012-2 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal years ended December 31, 2012 and 2011 included the recording and adjusting of cost report settlements that had material effects on the financial statements.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The proposed journal entries should be reviewed by knowledgeable hospital personnel and approved before posting.

Management Response:

Section III: Management Letter Items

There are no management letter items at December 31, 2012.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A RIVERSIDE MEDICAL CENTER

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2012

Finding 2011-1 Financial Statement Preparation: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Status: Unresolved. See Finding 2012-1.